



**AB-1432 Monterey Bay and the Bays of San Francisco, San Pablo, and Suisun: pilotage rates: technology surcharge.**  
(2015-2016)

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**Assembly Bill No. 1432**

**CHAPTER 119**

An act to amend Section 1190 of, and to add and repeal Section 1190.4 of, the Harbors and Navigation Code, relating to bar pilots.

[ Approved by Governor August 17, 2016. Filed with Secretary of State August 17, 2016.  
]

**LEGISLATIVE COUNSEL'S DIGEST**

AB 1432, Bonta. Monterey Bay and the Bays of San Francisco, San Pablo, and Suisun: pilotage rates: technology surcharge.

Existing law provides for the regulation and licensure of pilots for Monterey Bay and the Bays of San Francisco, San Pablo, and Suisun by the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun within the Transportation Agency. Existing law prescribes the rates of bar pilotage fees and other surcharges required to be charged by pilots and paid by vessels inward or outward bound through those bays.

Existing law, until January 1, 2011, authorized the board to authorize a movement fee, to be paid as a navigation technology surcharge, in order to recover the pilots' costs for the purchase, lease, or maintenance of navigation software, hardware, and ancillary equipment purchased after November 5, 2008, and before January 1, 2011.

This bill would, until January 1, 2021, authorize the board to authorize that fee, not to exceed a cumulative amount of \$1,200,000, to be paid as a navigation technology surcharge, in order to recover the pilots' costs for that software, hardware, and ancillary equipment that is authorized by the board as reasonable and necessary on or after January 1, 2017.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

**THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:**

**SECTION 1.** Section 1190 of the Harbors and Navigation Code is amended to read:

**1190.** (a) Every vessel spoken inward or outward bound shall pay the following rate of bar pilotage through the Golden Gate and into or out of the Bays of San Francisco, San Pablo, and Suisun:

(1) Eight dollars and eleven cents (\$8.11) per draft foot of the vessel's deepest draft and fractions of a foot pro rata, and an additional charge of 73.01 mills per high gross registered ton as changed pursuant to law in effect

in effect on December 31, 2006, shall be decreased by an incremental amount that is proportionate to one-half of the last audited annual average net income per pilot for each pilot licensed by the board below 60 pilots.

(ii) On and after January 1, 2010, if the number of pilots licensed by the board is fewer than 58 pilots, the mill rate in effect on December 31, 2006, shall be adjusted in accordance with the method described in clause (i) as though there are 58 pilots licensed by the board.

(iii) The incremental mill rate adjustment authorized by this subparagraph shall be calculated using the data reported to the board for the number of gross registered tons handled by pilots licensed under this division during the same 12-month period as the audited annual average net income per pilot. The incremental mill rate adjustment shall become effective at the beginning of the immediately following quarter, commencing January 1, April 1, July 1, or October 1, as directed by the board.

(iv) On and after January 1, 2010, if, during any quarter described in this paragraph, the number of pilots licensed by the board is equal to or greater than 60, clauses (i) to (iii), inclusive, shall become inoperative on the first day of the immediately following quarter.

(B) There shall be an incremental rate of additional mills per high gross registered ton as is necessary and authorized by the board to recover the pilots' costs of obtaining new pilot boats and of funding design and engineering modifications for the purposes of extending the service life of existing pilot boats, excluding costs for repair or maintenance. The incremental mill rate charge authorized by this subparagraph shall be identified as a pilot boat surcharge on the pilots' invoices and separately accounted for in the accounting required by Section 1136. Net proceeds from the sale of existing pilot boats shall be used to reduce the debt on the new pilot boats and any debt associated with the modification of pilot boats under this subparagraph. The board may adjust a pilot boat surcharge to reflect any associated operational savings resulting from the modification of pilot boats under this subparagraph, including, but not limited to, reduced repair and maintenance expenses.

(C) In addition to the incremental rate specified in subparagraph (B), the mill rate established by this subdivision may be adjusted at the direction of the board if, after a hearing conducted pursuant to Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code, the board determines that there has been a catastrophic cost increase to the pilots that would result in at least a 2-percent increase in the overall annual cost of providing pilot services.

(2) A minimum charge for bar pilotage shall be six hundred sixty-two dollars (\$662) for each vessel piloted.

(3) The vessel's deepest draft shall be the maximum draft attained, on a stillwater basis, at any part of the vessel during the course of such transit inward or outward.

(b) The rate specified in subdivision (a) shall apply only to a pilotage that passes through the Golden Gate to or from the high seas to or from a berth within an area bounded by the Union Pacific Railroad Bridge to the north and Hunter's Point to the south. The rate for pilotage to or from the high seas to or from a point past the Union Pacific Railroad Bridge or Hunter's Point shall include a movement fee in addition to the basic bar pilotage rate as specified by the board pursuant to Section 1191.

(c) The rate established in paragraph (1) of subdivision (a) shall be for a trip from the high seas to dock or from the dock to high seas. The rate specified in Section 1191 shall not be charged by pilots for docking and undocking vessels. This subdivision does not apply to the rates charged by inland pilots for their services.

(d) The board shall determine the number of pilots to be licensed based on the 1986 manpower study adopted by the board.

(e) Consistent with the board's May 2002 adoption of rate recommendations, the rates imposed pursuant to paragraph (1) of subdivision (a) that are in effect on December 31, 2002, shall be increased by 4 percent on January 1, 2003; those in effect on December 31, 2003, shall be increased by 4 percent on January 1, 2004; those in effect on December 31, 2004, shall be increased by 3 percent on January 1, 2005; and those in effect on December 31, 2005, shall be increased by 3 percent on January 1, 2006.

**SEC. 2.** Section 1190.4 is added to the Harbors and Navigation Code, to read:

**1190.4.** (a) There shall be a movement fee imposed as is necessary and authorized by the board to recover a

(b) The software, equipment, and technology covered by this section shall be used strictly and exclusively to aid in piloting on the pilotage grounds.

(c) The movement fee authorized by this section shall be identified as a navigation technology surcharge on a pilot's invoices and separately accounted for in the accounting required by subdivision (b) of Section 1136.

(d) The cumulative amount of the surcharge collected pursuant to this section shall not exceed one million two hundred thousand dollars (\$1,200,000).

(e) The board shall review and adjust as necessary the navigation technology surcharge authorized by this section at least quarterly.

(f) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.



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Date	Action
08/17/16	Chaptered by Secretary of State - Chapter 119, Statutes of 2016.
08/17/16	Approved by the Governor.
08/05/16	Enrolled and presented to the Governor at 2:30 p.m.
08/01/16	Senate amendments concurred in. To Engrossing and Enrolling. (Ayes 70. Noes 0. Page 5635.).
06/28/16	From committee: That the Senate amendments be concurred in. (Ayes 15. Noes 0.) (June 27).
06/20/16	In committee: Hearing postponed by committee.
06/13/16	In committee: Hearing postponed by committee.
05/27/16	Re-referred to Com. on TRANS. pursuant to Assembly Rule 77.2.
05/26/16	In Assembly. Concurrence in Senate amendments pending. May be considered on or after May 28 pursuant to Assembly Rule 77.
05/26/16	Read third time. Passed. Ordered to the Assembly. (Ayes 29. Noes 7. Page 3963.).
05/12/16	Read second time. Ordered to third reading.
05/11/16	Read second time and amended. Ordered returned to second reading.
05/11/16	Ordered to second reading.
05/11/16	From inactive file.
09/10/15	Ordered to inactive file at the request of Senator Wieckowski.
09/08/15	Read second time. Ordered to third reading.
09/04/15	Read third time and amended. Ordered to second reading.
08/25/15	Read second time. Ordered to third reading.
08/24/15	From committee: Do pass. (Ayes 6. Noes 1.) (August 24).
08/17/15	In committee: Hearing postponed by committee.
07/16/15	Read second time and amended. Re-referred to Com. on APPR.
07/16/15	From committee: Amend, and do pass as amended and re-refer to Com. on APPR. (Ayes 9. Noes 3.) (July 14).
07/01/15	Re-referred to Com. on G.O.
06/29/15	Re-referred to Com. on RLS.
06/29/15	Withdrawn from committee.
06/29/15	From committee chair, with author's amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Com. on HEALTH.
05/07/15	Referred to Com. on HEALTH.
04/23/15	In Senate. Read first time. To Com. on RLS. for assignment.
04/23/15	Read third time. Passed. Ordered to the Senate. (Ayes 78. Noes 0. Page 1110.)
04/16/15	Read second time. Ordered to Consent Calendar.
04/15/15	From committee: Do pass. To Consent Calendar. (Ayes 16. Noes 0.) (April 15).
04/13/15	From committee: Do pass and re-refer to Com. on APPR. with recommendation: To Consent Calendar. (Ayes 18. Noes 0.) (April 7). Re-referred to Com. on APPR.
04/06/15	Re-referred to Com. on HEALTH.
03/26/15	From committee chair, with author's amendments: Amend, and re-refer to Com. on HEALTH. Read second time and amended.
03/26/15	Referred to Com. on HEALTH.
03/02/15	Read first time.

03/01/15 From printer. May be heard in committee March 31.

02/27/15 Introduced. To print.

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**SENATE COMMITTEE ON GOVERNMENTAL ORGANIZATION****Senator Isadore Hall, III****Chair****2015 - 2016 Regular**

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<b>Bill No:</b>	AB 1432	<b>Hearing Date:</b>	7/14/2015
<b>Author:</b>	Bonta		
<b>Version:</b>	6/29/2015 Amended		
<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Arthur Terzakis		

**SUBJECT:** Harbors and ports: Monterey Bay and the Bays of San Francisco, San Pablo, and Suisun: pilotage rates

**DIGEST:** This bill increases pilotage fees and rates, as specified, for commercial vessels calling on ports (inbound and outbound transits) in San Francisco, San Pablo, Suisun, and Monterey Bay, including the Sacramento River to the Port of Sacramento and the San Joaquin River to the Port of Stockton. This bill also reinstitutes a navigation technology surcharge for the purchase or lease by the pilots of new navigation hardware and software to enhance navigation safety.

**ANALYSIS:**

Existing law:

- 1) Provides for the regulation and licensure of pilots for Monterey Bay and the Bays of San Francisco, San Pablo, and Suisun by the Board of Pilot Commissioners (Board) within the Transportation Agency.
- 2) Specifies that the Board shall consist of seven members appointed by the Governor and one ex-officio non-voting member (the Secretary of the Transportation Agency). Two members are pilots licensed by the Board; two are industry members (one from the tanker industry and one from the dry cargo industry); and, three public members who are neither pilots nor work for companies that use pilots.
- 3) Prescribes the rates of pilotage fees required to be charged by pilots and paid by vessels. The rates involved are set forth in Sections 1190 and 1191 of the Harbors and Navigation Code. Section 1190 relates to bar pilotage for every vessel inward or outward bound over the San Francisco Bar, which lies west of the Golden Gate Bridge, and charges vary, depending on a vessel's gross registered tonnage and draft. Section 1191 of the Harbors and Navigation Code

relates to charges for transits that originate and are concluded inland of Golden Gate Bridge – charges for these transits are flat amounts, with the amounts varying with the places at which the transit begins and ends.

- 4) Stipulates that the Board shall recommend that the Legislature, by statute, adopt a schedule of pilotage rates providing fair and reasonable return to pilots engaged in ship movements or special operations if rates for those movements or operations are not specified in Section 1190 of the Harbors and Navigation Code.
- 5) Provides that a vessel using pilots for ship movements or special operations that do not constitute bar pilotage shall pay the rate specified in the schedule of pilotage rates adopted by the Legislature.
- 6) Provides for a movement fee as is necessary and authorized by the Board to recover a pilot's costs for the purchase, lease, or maintenance of navigation software, hardware, and ancillary equipment purchased after November 5, 2008 and before January 1, 2011.

This bill:

- 1) Increases the draft foot and mill rates in effect under Harbors and Navigation Code Section 1190(a)(1) as follows: those rates that are in effect on December 31, 2015, shall be increased by 3% on January 1, 2016; those in effect on December 31, 2016, shall be increased by 3% on January 1, 2017; those in effect on December 31, 2017, shall be increased by 2% on January 1, 2018; and those in effect on December 31, 2018, shall be increased by 2% on January 1, 2019.
- 2) Increases the minimum schedule of pilotage rates for ship movements and special operations in effect under Section 1191(c) of the Harbors and Navigation Code as follows: those rates that are in effect on December 31, 2015, shall be increased by 3% on January 1, 2016; those in effect on December 31, 2016, shall be increased by 3% on January 1, 2017; those in effect on December 31, 2017, shall be increased by 2% on January 1, 2018; and those in effect on December 31, 2018, shall be increased 14% on January 1, 2019.
- 3) Reinststitutes, until January 1, 2020, a navigation technology surcharge for the purchase or lease by the pilots of new navigation hardware and software to enhance navigation safety.

## Background

*Brief Historical Perspective.* Bar pilots have been guiding ships into San Francisco Bay, one of the most treacherous passages in the world, since at least 1835. The work that bar pilots performed was so important that one of the first legislative enactments by the newly formed California Legislature that met in San Jose in 1850 was to address the regulation of bar pilots.

California's history of piloting parallels to a large extent the history of pilotage throughout the United States. Prior to the American Revolution, pilotage was regulated by colonial legislatures. They generally provided for the commissioning of pilots, apprenticeship requirements to become a pilot, specified the type and size of pilot boats used in the service, and established fees to be charged. When the United States Constitution was adopted, it recognized that pilotage fell within the domain of the federal government because it involved regulation of instruments of foreign commerce. One of the first acts of the newly formed Congress in 1789 was to recognize the existing state laws regulating pilots and delegate to the states the authority to continue to regulate pilotage because of its unique character.

Bar pilots are responsible for steering an arriving vessel through the Golden Gate of San Francisco Bay, the Bay waters and adjoining navigable waters, which include San Pablo Bay, Suisun Bay, the Sacramento River and its tributaries. When a vessel approaches the "SF" buoy several miles west of the Golden Gate Bridge, a bar pilot boards the ship and takes navigational control. (Pilots in San Francisco are called "Bar Pilots" because they board and disembark ships just beyond a treacherous sand bar which provides a natural obstacle to shipping.) It becomes the pilot's responsibility to guide the ship to its berth. The bar pilots provide service to all types of vessels, from 100-foot tugs to 1000-foot supertankers.

Pilots are generally mandatory in every major port throughout the world and their pilotage service is paid for by the vessel owner/agent. As noted above, the San Francisco Bar Pilots (SFBP) have been state regulated and licensed since 1850 to pilot vessels to various ports in the Bay Area such as San Francisco, Oakland, Redwood City, Martinez, Richmond, Pittsburgh, Vallejo, Rodeo, Antioch, Stockton, Sacramento and more recently including Monterey.

*Board of Pilot Commissioners Recommendations.* In February 2015, the SFBP filed a petition for an increase in pilotage rates under the provisions of Section 1200 through 1203 of the Harbors and Navigation Code. Under these provisions, the Board itself does not set pilotage rates but instead makes recommendations to the Legislature concerning adjustment of pilotage rates. The SFBP petition

requested a 5% increase in rates in 2016 and 2017 and a further increase of 4% each in 2018 and 2019. The Pacific Merchant Shipping Association (PMSA) subsequently filed its opposition to the petition requesting that the Board reject the increases submitted by the SFBP.

On April 10, 2015, the Board, in accordance with the Bagley-Keene Open Meeting Act voted on two different rate adjustment proposals. In the first vote (a 2-4 vote), it declined to recommend approval of the rate increase proposed by SFBP in its petition. In the second vote (6-0 vote), the Board recommended that the Legislature adopt across-the-board pilotage rate increases of 3% in each of 2016 and 2017 and 2% in each of 2018 and 2019. The Board also recommended reinstitution of the navigation technology surcharge so that pilot's may recover their costs for the purchase, lease, or maintenance of navigation equipment.

The Board stated, "The last time the Legislature authorized an increase in pilotage rates was in 2002, 13 years ago. At that time, the Legislature approved a phased annual percentage increase in rates, ending with a final percentage increase in 2006. In the nine years since that last increase in 2006, the cost to the pilots of providing pilot services has risen by 33%. During that same period, due to a reduction in the number and size of the ships calling in the Bay Area during the economic downturn, the gross revenue to the pilots has dipped as much as 13% from a high in 2006. Only recently has gross revenue reached and slightly exceeded the 2006 total. The overall net increase in gross revenue over that nine-year period is 1.3%."

Additionally, the Board noted, "Pilot net income is what is left for division among the pilots after the cost of providing pilot services is subtracted from gross revenue. There have been significant drops in pilot net income since 2006. In 2010, pilot net income was 26% less than in 2006. Overall, the decrease in pilot net income between 2006 and 2014 has been 9.5%. Although pilot net income has increased from the low in 2010, it is still short of where it was in 2006 because of increases over the last nine years in the cost of providing pilot services. In early 2015, pilot net income has dipped nearly 50% from 2014 levels because of the slowdown associated with the labor dispute between the Pacific Merchant Shipping Association and the International Longshore and Warehouse Union."

Furthermore, the Board found that "since the last increase in 2006, the consumer price index for the San Francisco-Oakland-San Jose area has risen 20.5%. Of the 10 ports deemed comparable to one another in the Board's regulations, the San Francisco Bay Area trails only New York City in the cost of living."

*Purpose of AB 1432.* According to the author's office, this measure is intended to implement the April 10, 2015 pilotage rate recommendations issued by the Board.

*Staff comments.* As noted above, vessels entering the San Francisco Bay are required by law to utilize the services of a licensed SFBP and are charged fees for those services. The Board regulates and contracts for the services of the bar pilots who are independent contractors, not state employees. The 58 pilots currently licensed by the Board are members of a private unincorporated association (the San Francisco Bar Pilots Association) which is essentially a "regulated monopoly," with membership and rates fixed by statute. Among other things, the San Francisco Bar Pilots Association maintains pilot boats, rents office space, provides dispatch and billing services, and hires pilot-boat crews and office staff. After the expenses of running the business are subtracted from the revenue that the pilots generate with their services, the pilots share equally in the net proceeds. The SFBP are the only coastal pilots that have their rates set in statute by the Legislature. For example, the Los Angeles Pilot Service, which dates back to 1907, and ensures a safe flow of ship traffic to and from Los Angeles Harbor, consists of pilots who are employees of the City of Los Angeles. Additionally, the Port of Long Beach contracts with a private pilot service.

*Suggested amendment.* As currently drafted, this bill does not fully reflect the Board's recommendations. The author may wish to consider amending this bill as follows: On page 5, line 39, strike "14 percent" and insert "2 percent."

### **Prior/Related Legislation**

AB 2287 (Swanson, of 2012) stated the intent of the Legislature to enact legislation that would require a 2nd bar pilot for safety in the San Francisco Bay and its tributaries for ultra large container vessels, and what the appropriate compensation is for the 2nd pilot. (Held in Assembly Appropriations Committee)

AB 2042 (Huber, 2012) would have eliminated the Board of Pilot Commissioners, effective January 1, 2022, and transferred the board's functions and duties to the Secretary of Business, Transportation and Housing. Also, would have recast and reenacted certain provisions that regulate pilots for those bays, as provided. (Held in this committee at author's request)

AB 907 (Ma, 2011), among other things, would have increased pilotage fees and rates, as specified for Monterey Bay and the Bays of San Francisco, San Pablo and Suisun and established a fuel surcharge for all vessel moves using pilotage service

to be determined by the board. (Failed passage in this committee and was subsequently gutted and amended for other purposes)

AB 1025 (Skinner, Chapter 324, Statutes of 2011) made the following substantive changes to existing provisions of law relating to bar pilotage : (a) modified the definition of "inland pilot" to mean a person holding an inland pilot license prior to January 1, 2011 and deleted all references to inland pilots, (b) required the Board's assistant director be appointed by the Secretary of Business, Transportation and Housing, instead of the Governor, and to serve at the pleasure of the Secretary, (c) recast certain provisions relating to violations of safety standards to require the executive director instead of an assigned commission investigator to perform investigations, make findings and recommendations and report to the Board, and (d) authorized the Board to charge an examination fee, as specified, to each applicant to the pilot trainee training program.

AB 1888 (Ma, Chapter 455, Statutes of 2010), among other things, revised the terms for members of the board who are licensed pilots and members who represent the industry and exempted from those pilotage fees and surcharges noncommercial vessels that are maritime academy training vessels and vessels owned and operated by nonprofit museums or foundations. These vessels would be subject to the board operations surcharge.

SB 300 (Yee, Chapter 497, Statutes of 2009) established a surcharge for payment of navigational aids for bar pilots and revised the pilotage rate based upon the current number of bar pilots.

SB 1627 (Wiggins, Chapter 567, Statutes of 2008) made numerous substantive, clarifying and technical changes to the body of law relating to the Board of Pilot Commissioners by injecting ongoing and continuous legislative oversight and administrative responsibility within the existing pilot licensing framework, without altering the Board, its charge, or composition and without changing current pilotage rates, pilot pension benefits, or duties and responsibilities of current, past or future licensed pilots. Also, directed the State Auditor to conduct a comprehensive performance/financial audit of the Board.

SB 1217 (Yee, Chapter 568, Statutes of 2008) required the Board of Pilot Commissioners to appoint a physician or physicians who are qualified to determine the suitability of a person to perform his or her duties as a pilot, an inland pilot, or a pilot trainee in accordance with specified requirements. Also, required the Board to terminate a pilot trainee or suspend or revoke the license of a pilot or an inland pilot who fails to submit the prescribed medication information required by these provisions.

AB 852 (Leno, Chapter 129, Statutes of 2005), among other things, authorized revenue generated by the pilot boat surcharge to be used to pay for pilot boat design and engineering modifications intended to extend the service life of existing boats, in addition to the existing purpose of purchasing new pilot boats.

SB 1303 (Torlakson, Chapter 560, Statutes of 2004) made a minor change to an existing provision of law relative to representation on the Board of Pilot Commissioners by clarifying that the Board's two industry members must be substantial users of any of the waters of the Bays of San Francisco, San Pablo, Suisun, or Monterey.

SB 1353 (Perata, Chapter 765, Statutes of 2002) established a schedule of incremental changes (through January 1, 2006) to the rates and special surcharges that bar pilots may impose on vessels that move in and out of the Bays of San Francisco, San Pablo and Suisun.

SB 637 (McPherson, Chapter 177, Statutes of 2001) allowed San Francisco bar pilots to pilot commercial vessels calling on ports in "Monterey Bay" by including Monterey Bay within the system of state regulated pilotage for the Bays of San Francisco, San Pablo and Suisun.

SB 2177 (McPherson, 2000) would have applied existing provisions of law relative to the regulation, licensing, and management of pilots for the Bays of San Francisco, San Pablo and Suisun to persons who pilot vessels into or out of the waters of Monterey Bay. (Held in Assembly policy committee at author's request)

SB 2144 (Perata, Chapter 394, Statutes of 2000) made various modifications to provisions of law governing the licensing of bar pilots.

SB 1109 (Burton, Chapter 786, Statutes of 2000), among other things, required a vessel owner and its operators to defend, indemnify, and hold harmless, a bar pilot from any liability and expenses in connection with any civil claim suit as action arising out of the pilot's performance of the pilotage services, except for acts of willful misconduct.

AB 951 (Wiggins, Chapter 261, Statutes of 1999) codified the agreement on bar pilot rate increases reached between the San Francisco Bar Pilots and the Pacific Merchant Shipping Association.

SB 1741 (Johnston, Chapter 1115, Statutes of 1996), among other things, established a schedule of bar pilotage rate increases that were phased in over a three-year period (1997-99).

SB 496 (M. Thompson, Chapter 711, Statutes of 1995) revised the formula the fiduciary uses to calculate the quarterly adjustment for pilotage rates. Also, changed the schedule of pilotage fees for ship movements and internal operations, as specified.

SB 2068 (Johnston, Chapter 385, Statutes of 1994) increased the pilotage rate from 60.70 mills to 64.88 mills and required the board to temporarily reduce the additional charge, as specified, if maintenance and repair costs of two pilot boats are less than \$200,000.

SB 238 (Lockyer, Chapter 1192, Statutes of 1993) increased the rate of the additional pilotage charge from 60.56 mills per high gross registered ton to 60.70 mills. Also, included inland pilots, as defined, in the pension benefit program.

AB 1768 (Papan, Chapter 1653, Statutes of 1984) among other things, established a unified system of state regulated pilotage whereby inland pilots became members of the San Francisco Bar Pilots Association and the combined group assumed joint responsibility for all pilotage moves on the pilotage grounds (San Francisco, San Pablo, and Suisun Bays and all other ports included therein.)

AB 1061 (Agnos, Chapter 1306, Statutes of 1983) increased pilotage rates and pension benefits, as specified.

AB 2027 (Felando, 1983), among other things, would have created three classes of pilots (pilots, inland pilots, and company pilots) and would have repealed existing law relative to the Legislature establishing pilotage rates. (Held in this Committee at author's request)

AB 3603 (Brown, W., 1982) would have provided a unified system of state regulated bar and inland pilotage. (Dropped at author's request in Senate Finance Committee)

**FISCAL EFFECT:** Appropriation: Yes   Fiscal Com.: Yes   Local: No

**SUPPORT:**

San Francisco Bar Pilots  
Bay Institute

CA Labor Federation  
Sailors' Union of the Pacific

**OPPOSITION:**

Pacific Merchant Shipping Association

**ARGUMENTS IN SUPPORT:** Writing in support, the San Francisco Bar Pilots (SFBP) state, "We endorse AB 1432 and the Board of Pilot Commissioners findings and recommendations." The SFBP also point out, "When the maritime industry experiences increased costs, it increases its rates to its customers. For example, Matson Navigation Company increased rates for its Hawaiian service by an average of 5.4% in each of the last four years. It reported income of \$25 million during the first quarter of 2015, seven times the earnings for the same quarter last year. The SFBP cannot simply increase rates as a result of an increase in costs or to keep up with inflation. Our only recourse is through legislation following a hearing before the Board of Pilot Commissioners."

**ARGUMENTS IN OPPOSITION:** The Pacific Merchant Shipping Association (PMSA) has expressed opposition to this bill and emphasizes that evidence does not provide a reasonable justification for rate increases. PMSA argues that growth in pilotage fee revenues actually outpaced growth in pilot expenses. PMSA claims that pilotage revenues collected by the SFBP in 2014 outperformed even its own stated income goals from 2011 – and did so without a rate increase.

According to PMSA, "in 2010, the average net income per San Francisco Bay Pilot was \$393,207. This was down from the average net income of \$427,153 per pilot in 2009 because of the overall decline in ship traffic using the San Francisco Bay system as a result of the ongoing recession. Overall, today tonnage is up significantly since 2010, and as a result pilots' salaries exceeded \$450,000 in 2014 without any benefit of a rate increase thanks solely to increased Bay traffic and ship tonnage. It is anticipated that, as the trend towards larger ships being brought into service continues, pilot income will continue to grow accordingly without increasing pilotage rates."